LCI International®
Worldwide Telecommunications

H. Brian Thompson
Chairman of the Board
Chief Executive Officer

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April 29, 1997

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MAY 2 1997
Federal Communications Commission
Office of Secretary

Chairman Reed Hundt
Commissioner James H. Quello
Commissioner Rachelle Chong
Commissioner Susan Ness
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

RE: CC Docket 96-262
Access Charge Reform

Dear Chairman Hundt and Commissioners:

Attached is a two page chart designed by LCI to make explicit the numbers supporting our letter of earlier this date.

In that letter, LCI summarized the major aspects of the NTIA's, Department of Justice's, and Consumer Coalition's filings. The attached two-page chart shows the access charge reductions which the record currently before the Commission would support on appeal in Years 1 and 2, 1997 and 1998.

In Years 3-5, 1999-2001, the Commission would act on a record developed in the interim which would support the Commission's decision at that time, and in light of the Eighth Circuit decision and any follow-on decisions, on bringing access to cost, as the Telecommunications Act of 1996 explicitly requires.

We hope the attached chart is helpful as the Commission deliberates on its far-reaching decision on the access charge issue.

We commend the Department of Justice, NTIA and the Consumer Coalition for their filings, summarized in detail in our earlier letter.

Sincerely,

H. Brian Thompson
Chairman & Chief Executive Officer

HBT:slg
cc: The Honorable Larry Irving, Department of Commerce
The Honorable Joel I. Klein, Department of Justice

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LCI International
Access Charge Reform Proposal and Record Support

LCI endorses immediate and continuing reductions in interstate access charges, achieved through a combination of LEC rate of return reinitialization, higher productivity offsets, removal of implicit support subsidies and prescriptive pricing of rates to TELRIC. All justified implicit support flows removed from access charges via this process will be recovered via explicit and non-discriminatory Universal Service mechanisms: New USF, schools and libraries, expanded lifeline, rural health care and new rural LEC USF.

ITEM	REVENUE EFFECT ($M)	JUSTIFICATION
July 1, 1997		
Reinitialization of LEC rate of return (RoR) to 11.25%	(1,987)	1
Set productivity offset to 7.5%	(990)	2
July 1997 - June 1998		
Remove current USF from large LECs	(300)	3
Reduce access for large LEC USF	(1,169)	3
July 1, 1998		
Reduce TIC to 20% of current levels	(1,799)	4
Set productivity offset to 7.5%	(249)	2
July 1, 1999		
Terminating rates to TELRIC, step 1 of 3	(708)	5
Originating rates to TELRIC, step 1 of 3	(389)	5
July 1, 2000		
Terminating rates to TELRIC, step 2 of 3	(708)	
Originating rates to TELRIC, step 2 of 3	(389)	
July 1, 2001		
Terminating rates to TELRIC, step 3 of 3	(708)	
Originating rates to TELRIC, step 3 of 3	(389)	
Reduce access for rural LEC USF	(95)	6
Remove triple-DEM weighting	(310)	6
Remove current USF from rural LECs	(470)	6
Remove long term support	(460)	6

LCI International
Record Support for Access Charge Reform Proposal

Record Support on Appeal for Recommended Access Charge Reductions

1. Price Cap LEC RoR in excess of 15% indicate the need for a true-up of rates, as foreseen in the Price Cap Order, in this case to yield an RoR of 11.25%. This is not retroactive ratemaking, rather it will produce reasonable access rates for the future. Further, as the Department of Justice suggests with its April 23, 1997 filing, interest rate adjustments should be made immediately, in addition to productivity adjustments.

2. ETI/Ad Hoc Total Factor Productivity study X-factor results at 10%. Customers for access Rate Equity analysis at results at 10%, AT&T TFP X-factor study corrected for input price differentials and non-regulated interstate revenues at 8.5%.

3. Reductions offset by new USF.

4. Lack of any evidence in the record that the TIC is cost justified; *see Competitive Telecommunications Association v.* FCC, 887 F.3d, 522 (D.C. Cir. 1996); admissions by two LECs, NYNEX and Bell Atlantic, that it is not.

5. The Telecommunications Act of 1996 mandates moving access charges toward forward-looking costs. TELRIC-based rate making attempts to replicate rates that would be charged in a competitive market, thus avoiding inefficient investment by new entrants. Further, access customers must not be forced to fund the efforts of their ILEC interLATA competitors.

6. Reductions offset by New Rural USF.